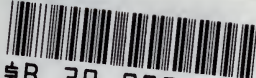


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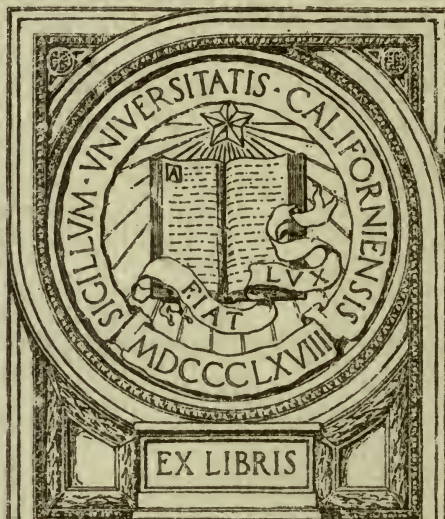
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The Fair Method of Paying for Transporting the Mails

FEELING as the railroads do that every day's delay in rectifying existing conditions is an accumulative injustice, the railroad managers of the country have submitted to Congress a formal recommendation as to a definite system which should be followed in compensating the railroads for carrying the mails.

That plan embodies four main principles, as follows:

1. That the mails should be weighed annually (instead of quadrennially, as at present) and payment made for the weight and distance carried.

2. That Mail Apartments, in railroad cars, fitted up as traveling post offices should be paid for.

3. That side and terminal messenger service, between railroad stations and post offices, and other special services should be paid for.

4. That all rates of pay and conditions of service should be definite and not subject to the discretion of employees of the Post Office Department.

* * * *

It is the belief of railroad managers that the adoption of these general principles and establishing fair units of pay will remove this complicated subject from public controversy. It would also result in payment for carrying the parcel post. The present situation is unjust and ought to be corrected.

Carrying the mails has always been an important detail

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of railroading. The great development of the country has increased the volume and tonnage of the mails enormously, and has correspondingly intensified the burdens and responsibilities.

It is the feeling of railroad managers that as soon as the American people realize the anomalous and inequitable conditions under which the railroads now carry the mails, prompt action will be forthcoming from Congress to provide adequate compensation for the services performed.

* * * *

Summary of Recent Congressional Investigation

The Act of Congress approved August 24, 1912, provided for a Joint Committee composed of three members of the Senate and three members of the House of Representatives to make inquiry into the subject of postage on second-class mail matter and compensation for the transportation of mails, and report at the earliest practicable date. The Committee, when appointed, consisted of Senators Bourne, Richardson and Bankhead, and Representatives Lloyd, Tuttle and Weeks.

On September 11, 1912, Senator Bourne addressed an inquiry to the executive officers of all railroads carrying the mails—795 in number—asking for an expression of opinion on the plan recommended by the Post Office Department and embodied in Senate Bill 7371. This plan proposed to pay the railroads according to the num-

ber of linear feet occupied by the mails in cars, the rate to be based upon the cost to each of the 795 railroads for operating expenses and taxes, plus 6 per cent. The cost was also to be ascertained by the Post Office Department.

The railroads generally replied that the underlying principle of the plan was not correct. The Post Office Department had based its recommendations upon its own incomplete and inaccurate presentation of the railroad statistics for the month of November, 1909. Further, that a cost based only upon operating expenses and taxes, plus 6 per cent., omitted allowance for interest on the investment, and was, therefore, fatally defective. Further, that if the full cost was ascertained for each railroad, even then any plan which used this as a basis of pay would be complicated in operation and unjust in

its application by failing to take into account the value of the service rendered.

Beyond all these considerations was the further fact that in this case the Post Office Department—the shipper—was undertaking to determine the cost for itself; to prescribe the car space it would pay for; and to buttress its position by a new clause in the law making it compulsory on the railroads to carry the mails under penalty of \$5,000 for each failure.

* * * *

The Congressional Committee opened formal hearings on the subject on January 28, 1913, and these were continued until May 14, 1913, after which opportunity was given to both sides to sum up the testimony. The railroads presented their summing up on June 26, 1913, but the Post Office Department took six months additional and presented their summing up on January 16, 1914.

* * * *

How the Railroads are Underpaid

In the meantime a statistical adviser of the Congressional Committee, Dr. M. O. Lorenz, Associate Statistician of the Interstate Commerce Commission, made a report dated September 27, 1913, in which he reached the conclusion that an increase in railway mail pay of at least 10 per cent. was warranted, with the suggestion that the adequacy or inadequacy

of the pay could be further decided by reference to the Interstate Commerce Commission.

The Secretary of the Joint Congressional Committee, Mr. R. H. Turner, made a summary of the hearings under date of November 28th, and reached the conclusion that on the present system of pay the railroads are underpaid approximately \$12,000,000.

The Second Assistant Postmaster General in his summing up of January 16, 1914, reiterated the position of the Post Office Department, and on February 12, 1914, submitted a new plan of paying the railroad companies on the space basis at certain rates per car mile, but claiming for the Post Office Department the power to prescribe the car space that would be paid for, full control of the railroad facilities under heavy fines which the Postmaster General might impose without limit, and reserving to the Postmaster General discretion to change the conditions under penalty of \$5,000 fine for every failure of a railroad company to carry the mails.

In the original Bill, Senate 7371, the Post Office Department had abandoned the weight basis of pay in favor of space based upon cost to the individual railroad. In the new Bill it abandoned the cost basis in favor of a space basis, which, while ostensibly associated with definite rates, was left entirely

within the discretion of the Postmaster General.

The railroads submitted to the Joint Congressional Committee on February 26, 1914, an earnest protest against the findings and conclusions of the Post Office Department as set forth in its summing up of January 16, 1914, and as embraced in its new proposals of February 12, 1914. The Second Assistant Postmaster General replied in a lengthy statement of March 24, 1914.

The railroads made their closing statement on April 1, 1914, and the Joint Congressional Committee, after verbal discussion, closed the hearings finally on April 3d. The testimony, all taken under oath, is the most complete and valuable ever submitted on this important subject, and is comprised in pamphlets which already include about 1,300 pages of printed matter.

* * * *

The Fair Basis

The Railroads' Committee has studied this whole question for over four years. It has endeavored to regard the question from all sides. It has attempted to consider the interests of the people, of the Post Office Department, as well as of the railroads. It has carefully examined the record of previous investigations and the various plans proposed for changing the method or the basis of pay. It has especially studied the suggestion that the present basis, *i. e.*,

the weight of mail transported multiplied by the distance it is transported, be abandoned, and that the basis of car space authorized be substituted therefor.

The Railroads' Committee has concluded that the original plan, as embodied in the law of 1873, is the safest and most enduring basis for all of the parties concerned. That the weight of mail carried and the distance it is carried represent the essential service rendered. It is, therefore, the most direct element upon which the pay should be measured and computed. The weight basis is also the most definitely ascertained basis and the one regarding which there can be no uncertainty. It is not subject to fluctuation, according to individual opinion. The car space plan of pay involves estimates based on individual opinion, and this would be dangerous to both parties.

The Railroads' Committee, therefore, adhere to the recommendations made on October 3, 1912, to the Joint Congressional Committee, as follows:

1. For the repeal of the act of March 2, 1907.
2. For annual weighings and a definite and just method for ascertaining daily average weights.
3. For pay for apartment cars on some basis that will compensate for the service.
4. For a fair allowance to the railroads for side and terminal messenger service which they

perform for the Post Office Department according to the value of this service to the Post Office Department.

5. That all rates of pay should be definite and not subject to the discretion of the officers of the Post Office Department.

The closing statement for the railroads was read to the Joint Congressional Committee at the hearing of April 1st, by the Chairman of the Railroads' Committee, and is here published :

The Railroads' Closing Statement

The Committee on Railway Mail Pay on April 1st made the following statement to the Joint Congressional Committee, in reply to the statement made by the Post Office Department on March 24, 1914.

The Committee representing the railroads would have preferred to have rested its case before your Honorable Committee with its statement of February 26th, Volume No. 9, because a careful review of the statement of the Post Office Department submitted on March 24th does not bring up any important features that require elucidation for the information of your Committee; but it is realized that the testimony already printed is voluminous and that the reiteration in the Post Office Department's statement of certain claims already refuted may not be conveniently associated with the refutation or with the explanation.

In view of the announcement by the Chairman that this will be the closing meeting of an investigation that has lasted eighteen months, it is both interesting and instructive to recall that the last previous Joint Committee of Congress to study this question found a somewhat similar situation before it.

* * * *

Extent of the Wolcott-Loud Joint Commission

The investigation of the Wolcott-Loud Commission extended from 1898 to 1901. Representative Moody, of Massachusetts, a member of that Commission (and sub-

sequently a Justice of the United States Supreme Court), made a speech in the House of Representatives on February 5, 1901, reviewing the work of the Commission. He said:

"When we began the work, there were in existence and supposed to be true certain statistics which had largely affected public opinion. The statistics came from the Post Office Department itself. Gentlemen who based their reasoning upon those statistics had good excuse for doing so, because they were issued and put in circulation by the Department itself. By these statistics it appeared that the average rate paid to railroads for transporting the mails was 6.58 cents per pound and that the average haul was 328 miles, and that we paid, on an average, 40 cents per ton per mile to the railroads for transporting the mails. Gentlemen may carry these figures if they please in their minds, as they are important. We went staggering along under the weight of those statistics until the summer of 1899. While we suspected that they were false, there did not seem to be anybody who could demonstrate that they were not true."

Later on, in his speech, he said that a special weighing for thirty-five days in October and November, 1899, showed that mail equipment constituted 48 per cent. of the mail matter sent by the railroads, although the Department had previously claimed that the percentage of equipment was about 9½ per cent. He says elsewhere in his speech:

"It had been supposed that we were paying 6½ cents per pound as the average payment to the railroads for the transportation of mails. In point of fact we were paying 2¾ cents per pound."

Later, he says:

"Further, we found that the haul instead of being 328 miles was 438 miles. We further found, what is most important of all, that instead of paying 40 cents per ton mile we were only paying 12.56 cents per ton per mile. In other words, we were not paying one-third as much as the Post Office Department had led the people of the country to believe we had been paying."

While the comments of Mr. Moody describe plainly and frankly the very grave statistical errors made by the Post Office Department, no one questioned for one moment the honesty or conscientiousness of the postal officials who had given authority and currency to those figures. The refutation was largely the result of the work of Prof. Henry C. Adams, the Statistician of the Interstate Commerce Commission, whose services were secured by the Joint Congressional Committee for that special work.

* * * *

Document No. 105 and the Hughes Commission Inquiry

Since the report of the Wolcott-Loud Commission in 1901, the Post Office Department has undertaken two very important and complicated tasks. The first was the ascertainment of cost to railroad companies of transporting the mails and the incidental services in connection therewith during the month of November, 1909, the results of which were published in House Document No. 105.

The other was the earnest effort by the Post Office Department to analyze for the Hughes Commission, in the year 1911, the expenses of postal operations so as to determine the specific cost of handling and transporting second-class mail matter.

The inquiry of November, 1909 (House Document No. 105), was from its nature a railroad problem more than a Post Of-

fice Department problem, whereas the ascertainment for the Hughes Commission was entirely a problem resting on postal statistics. In the former, the co-operation and continuous advice of the railroad companies was quite essential to obtain correct results, whereas in the other the Post Office Department was not obliged to rely on any efforts and statements other than those of its own officers and its own postmasters and employees.

It should also be pointed out that these two inquiries were fundamentally different in their respective paths of procedure, because the inquiry of November, 1909, was conducted to ascertain certain percentages or ratios which would subsequently be applied to large sums of money representing many millions of dollars; on the other hand, the inquiry before the Hughes Commission dealt with the subdivision of large sums of money with the object of focusing the several amounts to the respective classes of mail matter finally reaching a result of a few cents per pound.

The Hughes Commission dealt with the postal expenses for the year 1908, which were \$210,000,000. The original calculation of the Department's estimated cost per pound of second-class mail was 9.235 cents; consequently it was in the ratio of about 1 cent for each \$22,000,000 of expenses. In other words, an error of over \$20,000,000 could be disregarded without affecting the final result more than 1 cent. In the Hughes Commission report, page 82 (footnote), it is shown that the Department's revised computations showed a minimum cost of 8.263 cents per pound as compared with the original calculation of 9.235 cents per pound.

* * * *

The Hughes Commission Rejects the Post Office Department Estimates

The conclusions of the Hughes Commission, on page 89 of their report, announce the following decisions:

"First. That the evidence submitted does not justify a finding of the total cost of transporting and handling the different classes of second-class mail matter.

"Fifth. That upon the basis of their apportionment for the fiscal year 1908, as modified by subsequent reductions in the expense of railroad transportation, the cost of paid-at-the-pound-rate matter for the services above mentioned is approximately 5½ cents a pound."

That is, the decision rests on only part of the postal expenses, omitting the general post office service expenses \$86,000,000, and miscellaneous expenses not directly assignable \$3,000,000, or a total of \$89,000,000 omitted. In the Hughes Commission report on page 73, referring to the general post office service expenses for which it could not obtain satisfactory statistics, the following remarks are quoted:

"It seems hardly worth while to include the subsidiary tables from which these later results are taken or to criticize the details, as the commission has little confidence in their accuracy."

And later, on the same page, the Commission says:

"In view of the errors and inconsistencies in which the returns from the post offices abound—we do not extend this report to review them—our examination has convinced us that the computation is not sufficiently accurate to base an apportionment of the cost of the general post office service."

The Hughes Commission, therefore, preferred to make an incomplete report and rest their decision upon an ascertained cost of 5½ cents a pound for second-class matter rather than accept the findings of the Post Office Department for the apportionment of the remaining 3 cents.

* * * *

The Railroads Reject the Post Office Department Estimates

Our purpose in alluding to this case is to emphasize the fact that the division of

expenses in a calculation to ascertain specific cost is a delicate and difficult problem even for those who are familiar with the statistics that are necessarily employed. We also hope that we can say, without meaning any discourtesy to the officers of the Department, that when an able and distinguished body such as the Hughes Commission refused to accept the Department's sub-division of the postal expenditures because they produced an uncertain variation in the final amount of 3 cents or less, we are probably justified in questioning the ratios arrived at by the Post Office Department in regard to railroad expenditures when small discrepancies in ratios or percentages would lead to final differences of many millions of dollars.

The expression of these views is not inconsistent with the appreciation we entertain for the enterprise, the industry and the tenacity of purpose which the Post Office Department officials have exhibited in the prosecution of these two important inquiries.

* * * *

The Inquiry of November, 1909, and the Committee on Railway Mail Pay

The history of the inquiry of November, 1909, resulting in House Document No. 105, has been so fully explained and the view of the Railroad's Committee has been so fully set forth in regard to the deficiencies and inaccuracies of Document No. 105, that there is no disposition to refer to the subject again. It seems advisable, however, to note in the record an expression of regret that the Second Assistant Postmaster General, in publishing the correspondence between the Department and the Committee on Railway Mail Pay during 1910, should make the comment as he does on page 1252, that:

"It will be observed from this correspondence that the Railroads' Committee sought to induce the officers of the Department to accept the totals obtained by the employees of such committee instead of relying upon the independent efforts of the officers and employees of the Department in ascertaining the same in accordance with their duty prescribed by law."

Your Committee will note that in the published letter of February 5, 1910, from Mr. Kruttschnitt, Chairman of the Committee on Railway Mail Pay, that the assurance was given by Mr. Kruttschnitt to the Second Assistant Postmaster General that the Committee would welcome any precaution which the Department felt was essential to secure accuracy.

The Second Assistant Postmaster General intimates, on page 1252, that the acceptance of co-operation from the Railroad Committee would vitiate any finding which the Department might make and would be wholly inconsistent with the duty devolved upon the Postmaster General by law and by his obligations in the premises.

This statement ignores the fact that the law of March 3, 1879, did not prescribe in detail the operations and precautions which the Postmaster General should employ, and consequently the Post Office Department was free to co-operate and free to adopt any precautions deemed necessary to insure trustworthy and accurate returns. From the very nature of the inquiry all of the information had to be supplied by the individual railroads, and it was the work of assembling this information and the work of co-ordinating it and interpreting it intelligently that the Post Office Department sought to do alone, with the unfortunate results that have been explained to your Committee during the past year.

The Second Assistant Postmaster General says, page 1252:

"In my judgment the Department's course was the only proper one, and, in view of the outcome, there can be no doubt about its wisdom."

The Railroad Committee's View

In the view of the Railroad Committee it was not a question of propriety that governed the attitude of the Post Office Department, but rather questions of policy. If the Department felt that co-operation would vitiate any finding which the Department might make, it thereby confesses its unsuitability to be intrusted with the responsibility. When the law of March 3, 1879, was passed, the Interstate Commerce Commission was not in existence. If the inquiry of November, 1909, had been conducted under the auspices of the Interstate Commerce Commission we believe there would be no hesitancy or reluctance on the part of that Commission to confer with the railroads and to co-operate in the ascertainment of correct statistics and in the proper interpretation of them.

But even if it be conceded that the Post Office Department for reasons of policy should have proceeded alone and made its own tabulation, there could be no good reason why, when this work was completed, they should not have conferred with the railroads again to match the respective totals, to discuss the differences, and to remedy the inadequacy of statistics which in some cases were insufficiently given because of misunderstanding such as would naturally arise in an extensive inquiry instituted for the first time. If such conferences had resulted in unreconcilable differences, these could have been submitted to Congress for final determination.

* * * *

Aside from all of the important criticisms that have been justly made against the statistical presentation and conclusions drawn from Document No. 105, it cannot be lost sight of that the Department passed judgment upon the statistics of a

single month, upon the imperfect results of a single and new inquiry, and failed to observe those precautions of prudential procedure which might properly be expected from any Department of the general Government when dealing with a case involving the property and rights of the citizens.

No statement of contrary views and no reiteration of such statements by a bureau officer of the Government will debar the Railroads' Committee from insisting upon its right to be heard when it makes statements in regard to the division of the railroads' total operating expenses and the space relation necessary under operating conditions between the passenger, express and mail services, notwithstanding the fact that the Second Assistant Postmaster General, on page 1252, says that the "railroads' discussion upon these statements amounts to nothing more than a quibble."

* * * *

The Question of Underpayment of the Railroads

There seems to be nothing in the Department's statements relating to overpayment or underpayment that calls for further comment. The Department alludes to varying estimates made by the railroads as to the total amount of underpayment, but your Committee understands very well that estimates based upon the comparative growth of freight revenue, or passenger revenue, or postal revenue are simply illustrative of tendencies which might be expected to be reflected in railway mail pay, especially if the national conditions are such as to warrant the belief that the volume and tonnage of mail transportation is at least keeping equal pace with other traffic. We believed that these incidental illustrations would assist the judgment of your Committee in determining the fairness of the railroads'

claim that the amount of underpay is at least \$15,000,000.

Under this head the Post Office Department also alludes to the efforts made before the Hughes Commission to apportion the postal expenditures for second-class mail matter, and concludes by saying:

"If the facts were known to the Railroads' Committee it would appear the interpolation of reference to such matter in their statement, in the incomplete manner in which presented, could have no other intention than that of misleading the Joint Committee."

We have already dealt adequately with that subject by making precise quotations from the Hughes Commission report, and we take pleasure in referring your Committee to the document itself, *i. e.*, House Document No. 559, 62d Congress, 2d Session.

* * * *

The Case of the Short Line Railroads

On page 1253 the Department mentions the criticism by the railroads of Table 7, Document No. 105, as showing a large percentage of gain for Short Line Railroads, and says the results came from the statistics used, that "they are mathematically sound and the inevitable result of the elements on which they are based" and are "isolated cases."

Our criticism was not based upon the inevitable mathematical result of the figures used, but upon the acceptance of that result and the publication of it; and further, the cases are not isolated.

Table 7 of Document No. 105 shows 99 railroads charged with making a profit of from 100 per cent. to 2,918 per cent. on their mail service. Of these 99 railroads, 84 roads are 50 miles or less in length.

In some cases the Department reached its result by cutting out part of the space charged to the mails. In other cases the little railroads apparently did not under-

stand the Department's forms and failed to make complete or correct reports, and this would have been evident to persons acquainted with the railroad service. The reports should have been verified and corrected before being published.

Observe on page 32, preliminary report of the Joint Committee, where Mr. Frazer, of the Bellefonte Central Railroad, 19.51 miles long, shows that his road loses \$1,521 a year, although the Department attributed to him a profit of \$575 a year. The Department said he made a profit of

97 per cent. He says he had a loss of 61 per cent.

Observe in Volume No. 5 (page 750) that the East Broad Top Railroad reports a cost for side and terminal messenger service of \$823 a year, although in Table 7, Document No. 105, the Department credits only \$5.80 for November, 1909, equivalent to \$69.60 a year, or about one-twelfth of what the Company claims. That road is shown in Table 7 as making a profit of 2,374.52 per cent.

The Ratio of Total Operating Expenses to Passenger Train Service—Railroad Estimate, 34.42 Per Cent.; Post Office Department, 29.21 Per Cent.

On pages 1258 and 1260 the Post Office Department under the caption, "The Railroads' Committee's Erroneous 34.42%," endeavors to disprove the correctness of the railways' assignment to passenger train service of operating expenses and taxes in favor of the Department's assignment, which apportions only 29.21 per cent. of these expenses to passenger train service.

* * * *

No Valid Argument for Rejecting Railroads' Apportionment

No valid argument is made for rejecting the railroads' apportionment of operating expenses and taxes or for supporting that of the Department. As has been before explained, about one-half of the railway operating expenses and approximately all of the taxes are not directly assignable to any class of traffic and must be apportioned arbitrarily. As to these expenses the Department adopted a method of apportionment which allocated a lower estimate of cost chargeable to the mails than would have been obtained by any recognized plan of apportionment. Certain expenses which may be directly

allocated to freight and passenger service are higher per train mile for freight than for passenger, such as fuel, wages of trainmen, car repairs, etc. The operating expenses first referred to, which are of an indivisible nature, have no relation whatever to the expenses last named. Notwithstanding this fact, these expenses, to an aggregate of about 40 per cent. of the total operating expenses, were assigned by the Department in the same way as the direct charges.

As a result of this such expenses as the large sums incurred for maintaining roadbed and track, according to the Department's apportionment, would be far lower per train mile for passenger than for freight train service. As passenger train service is operated at faster speed, requires higher standard of maintenance, including more double track, expensive terminals, etc., and its presence increases the cost of freight operation because of delays to the latter, the reasoning of the Department in this respect is fallacious, whilst the method used by the railways in apportioning these expenses is far more entitled to consideration. The railroads

apportion, on a train mileage basis, only the expenses which can not be directly assigned. This apportionment has been frequently termed by the Department as arbitrary and antiquated.

What may be said of the Department's apportionment, based on the theory that because fuel for locomotives and wages of trainmen cost more per freight train mile than per passenger train mile, the same relative lower cost per passenger train mile exists as to expenses of an entirely different nature, such as renewal of ballast, labor cost of repairing roadbed and track, cost of tunnel repairs, expense of maintenance of highway crossings of various kinds, etc.

* * * *

No Justification for Department Method

There is good foundation for the railways' assumption that as these expenses are incurred for train service as a whole they may be justly apportioned on the basis of train mileage, but absolutely no justification for the application of the method used by the Post Office Department. The insufficiency of the Department's allowance for passenger train expenses may be further understood by considering certain expenses incident to passenger train operations which have been charged wholly to freight service, such as delay to freight trains because of preference given passenger trains (this being one reason for increased wage cost per freight train mile) and to the charging to freight train service of the whole cost of handling company freight. This freight, consisting of rails, lumber and other material for maintenance, fuel, etc., is handled for passenger train service, as well as for freight, and a substantial part of the freight train expense should on this account be transferred to passenger train service. Analysis of annual reports for the year ending June 30, 1910, for 108,801 miles of road moving approximately

one-half of the freight traffic of the United States, showed that ton mileage of company freight comprised 11.85 per cent. of the total ton mileage handled by freight trains. A transfer of a proper share of the cost of handling this tonnage to the passenger train service would largely increase the Post Office Department's estimate of passenger train expenses.

* * * *

The Department's Conclusion

On page 1260 the Department concludes that the ratio of operating expenses and taxes to revenue for passenger train service is only slightly more than for freight. The erroneous nature of this result is obvious when it is considered that revenue, which is the divisor, was for the year under discussion \$2.86 per train mile for freight trains, and only \$1.30 for passenger trains.

* * * *

Transportation Rates are Out of Railroads' Control

Mr. Stewart expresses the view that his figures are more in accord with a business-like administration of the railroads, which may be true, but he forgets that the rates and conditions of service which produce the existing results are out of the control of the carriers. For many years railway wages and material prices have been going up. The railways have been able to partly recoup themselves through better car and train loading in the freight service, but with different conditions in passenger train service a similar improvement in loading has not been possible. This is illustrated by the trend of revenue from passenger service as compared with the operating cost. During the 20 years from 1890 to 1910 the operating expenses and taxes per total train mile for all railways in the United States increased 56 cents. Compared with this the passenger train revenue per train mile increased only 22 cents, in 1890 the passenger revenue per train mile being 8 cents higher than the

operating cost per total train mile, whilst in 1910 it was 26 cents lower.

In this connection attention should again be drawn to the fact that all of the calculations of the Department as to railway mail expenses are based on the statistics obtained for November, 1909, whilst statements submitted by the Committee on Railway Mail Pay (page 1085) showed that during the four years ending 1913 railway operating expenses increased 29.6 per cent. per mile of road operated, taxes increasing during this period 34.6 per cent. per mile of road, net revenue after taxes decreasing 6.9 per cent., whilst the ratio of operating expenses to revenue, which in 1909 was 65.5 per cent., had increased in 1913 to 71.2 per cent. This further emphasizes the necessity for permitting the railways under a fair plan of mail compensation to secure some advantage through reduced operating cost per ton mile by better car loading to offset the effect of rises in labor and material prices. It may be remarked incidentally that a space basis for payment is directly opposed to this theory, in that the shipper receives all the advantage of better car loading, whilst the railway expenses are increased without any compensation therefor.

* * * *

The Charge of Car Space to the Mail Service

The Department's defensive statements under this head do not meet squarely the argument of the Railroad Committee as set forth in Volume No. 9, in regard to the unfairness of picking out and disallowing so-called "dead space" in connection with the mail service without taking similar note of so-called "dead space" in the passenger and express services.

* * * *

Full R. P. O. Cars

In regard to full R. P. O. cars, the Department quotes its rule that it was the intention to credit the mail service with

the return movement of the maximum space authorized outbound, and the railroads do not doubt that this was the intention, but the question remains as to whether this intention was carried out. It may be noted that in Volume No. 2 (page 415), it is shown for the Pennsylvania Railroad System that after the first publication of Document No. 105 the Department made a correction upon representations of the railroad company so that 5,706,000 car-foot miles was credited to the mail service for R. P. O. cars which had not been treated according to the Department's rule. It is possible that if other railroad companies had made similar analysis of the details, further credits might have been called for and obtained as was done in the case of the Pennsylvania Railroad System. There is the further point to be made that while the Department's intention as to R. P. O. cars may have seemed perfectly fair from the Department viewpoint, yet it failed to recognize the necessity of uniform standard sizes which the railroad company is operating and which would be incumbent upon the Department itself if it owned the R. P. O. cars.

* * * *

The Mail Storage Cars

On page 1264 the Department says:

"Concerning mail-storage cars, the claim is made that a large amount of space necessary in the operation of storage cars was disallowed by the Department. The Department credited all storage-car space where it was used for mail purposes. Where it was not so used it was charged to "dead space." It is believed that the railroad companies use such storage cars for their own purposes in many cases. The claim of the Railroads' Committee therefore that a large portion of this space should have been charged to mail is a claim unsupported by any definite evidence as to amount and should not be given serious consideration."

In this the Department gives a very narrow meaning to the word "used," when they say that they credited all storage-

car space where it was used for mail purposes. The inevitable return movement of empty storage cars that were loaded outbound with mails is part of the use made of the car equipment, and the Department itself recognizes this principle in its proposed bill in Volume No. 8, where it is said that payment will be made for the round trip.

As to the suggestion that this claim is unsupported by any definite evidence as to amount and should not be given any serious consideration, attention is called to the statement by the Pennsylvania Railroad System in Volume No. 2 of the hearings (page 411), where it is clearly shown that the Department disallowed 11,523,000 car-foot miles for the month of November, 1909, for deadhead storage cars returning which were not used in the company's business. It is probable that the total amount of storage-car space disallowed by the Department for all railroads for November, 1909, would be not less than 50,000,000 car-foot miles.

* * * *

The Mail Apartment Cars

The Department under this head does not discuss fairer allowances for mail apartment cars. It has previously intimated that a revision of its figures for this class of service might be justified, but has never stated definitely the amount of additional allowance of space which its further consideration of the subject would lead it to grant.

* * * *

Closed-Pouch Space

As regards closed-pouch space, the Department quotes the rule employed on the Pennsylvania Railroad Lines during November, 1909, and then makes the following statement on page 1265:

"The fact is that the report of the Pennsylvania Railroad and that of the New York Central and Hudson River Railroad Company, both of which used the rule above mentioned, showed less linear space for closed-pouch service

than the computations made by the Department upon the statistics of closed-pouch mails taken during the month of November entitled them to. It is submitted that no more conclusive argument need be advanced in favor of the sufficiency and fairness of the Department's rule in that respect."

In reply to this statement of the Department just quoted, it is learned that the records of the Pennsylvania Railroad Company show for closed-pouch service during November, 1909, 2,774,460 car-foot miles, of which the Post Office Department allowed only 2,122,106.18. The Post Office Department in this case disallowed 652,353.82 car-foot miles, or about 23½ per cent. The same figures for the Pennsylvania Railroad System as shown in the Company's records for closed-pouch service was 7,231,969 car-foot miles, of which the Department allowed 5,044,839, thus disallowing 2,187,130 car-foot miles, a disallowance of 30 per cent.

As regards the New York Central & Hudson River Railroad Company, the Company reported 3,406,641.67 car-foot miles, and the Department allowed 1,453,829.34. The Department disallowed 1,952,812.33 car-foot miles, or 57 per cent.

It would, therefore, seem that the Department's idea is erroneous that these companies reported less than the Department's computations showed them to be entitled to.

This whole subject of the charge of space to the mail service would have been greatly clarified if the request from the railroads' side of a year ago had been complied with, namely, that the Department be called upon to analyze the so-called "dead space" so as to show whether it was chargeable to R. P. O. car space, or storage-car space, or apartment-car space, or closed-pouch space. The Second Assistant Postmaster General indicated at that time that this analysis could not be made without additional clerical force which

would have cost about \$1,500, and that he was unable to proceed with the analysis unless the Joint Congressional Committee would authorize that expense.

* * * *

The Gauge of Railway Mail Pay

General Considerations

The Department contends that the reply of the Railroads' Committee to their question "Shall the gauge of railroad mail pay be a strictly commercial rate?" is insufficient, and they again invite attention to their argument which appears in Volume No. 7 (pages 998-1004). The considerations which the Department ask be given weight (see page 998) are the following:

1. The certainty, constancy, and homogeneity of traffic.
2. The certainty and regularity of payment.
3. Railroads are not built primarily to carry mails.
4. The protection to their mail trains which railroads, as Government agencies, receive against unlawful acts in interference with or obstruction of the mails carried.
5. The principle of public utility.

The Railroad Committee believes that in Volume No. 9 (pages 1076-1078) it made a sufficient reply on the whole subject and specifically with reference to considerations 1, 2 and 4. If the Joint Committee desires further discussion of these considerations, it will give us pleasure to cover the subject more extensively, but in our opinion this is not necessary.

In preparing our reply that was published in Volume No. 9 we refrained from presenting some quotations and some discussion which may now be briefly submitted in response to the insistence of the Department's representative.

The Department in Volume No. 7 (page 1000) makes the following statement:

"3. Railroads are not built primarily to carry mails.—Railroads are projected and built for the purpose of securing passenger and freight traffic.

It is doubtful if the question of the carriage of the mails ever enters into the calculations of any railroad enterprise. After its construction the mail naturally follows and the companies usually secure that business without solicitation. This is a strong argument in favor of treating the carriage of the mail as a by-product, and to charge it with a participation in all of the costs of the road is very liberal policy."

After perusing this statement the reader would naturally pause to consider that as the United States Mail had been an important article of transportation fully fifty years before any railroads were built in the United States, it would be quite likely that the builders of railroads would have in mind all possible traffic that could be obtained and would certainly include the mails in their calculation.

However, we find at the foot of page 1002 the following assertion by the Post Office Department:

"No railroad of any importance could be successful in its operations without the regular, certain, and speedy transmission of the mails over its line. It is a truism which no one will controvert, that practically all commercial and industrial enterprises, as well as social intercourse extending beyond the neighborhood, depends absolutely upon the mails. As the community thus primarily depends upon the mails, in a greater degree railroads so depend, as they must rely wholly upon the communities for whose business they are constructed and operated. It must, therefore, be apparent that no commodity transported is entitled to as great consideration in the matter of rate-making as the United States mails."

Here we have the assertion that the mails are so essential to the community and to the railroad that it could not be successfully operated without them, in opposition to the statement previously made that it is doubtful if the question of the carriage of the mails ever enters into the calculations of any railroad enterprise.

But we recall that something was said on this subject in the hearings of May 14, 1913. Turning to Volume No. 5, page 659, we find that the Second Assistant

Postmaster General was asked what would be the probable revenue to the Government from first-class mail matter if there were no railroad service. The Second Assistant Postmaster General replied as follows:

"Of course, it would be greatly reduced. We are all glad to admit, and it is not an admission, for we are glad to say that the railroad companies perform a wonderful service for the Government and for the people; and if it were not for the railroads, mail service would be a very insignificant thing."

We respectfully submit that the views expressed by the Department's representative on both sides of the question are sufficiently comprehensive to relieve the Railroads' Committee from offering any comment or argument.

* * * *

The Principle of Public Utility

In response to the fifth consideration, namely, "The principle of public utility," it is to be observed that the main dependence of the Department in Volume No. 7 is a quotation from Prof. Henry C. Adams in the report which he made to the Wolcott-Loud Commission on February 1, 1900. The Department makes two quotations from Professor Adams and omits a number of other quotations which might have been made with more effect, because they are more significant of Mr. Adams as a statistician and as a student at that time of the railroad mail service. For example, in Senate Document No. 89, part 2, 56th Congress, 2d Session (pages 198-200), Professor Adams reaches the conclusion that ton mileage or weight multiplied into distance is the proper basis for determining railway mail compensation.

On page 182 Professor Adams insists that the ascertainment of cost by analysis of operating expenses is not practicable, and says:

"It cannot be recognized as a proper method of arriving at reasonable compensation for the transportation of the mail."

On pages 203-206 Professor Adams gives a useful interpretation of the law of 1873 which he discusses with marked approval as to the general arrangement of rates.

Again, on page 419, he expresses the opinion that postal officials and employees when traveling in passenger cars should certainly have their fare paid by the Government.

On page 442, discussing side messenger service, he says:

"In equity the Government ought to assume the expense of this service."

None of these opinions of the eminent statistician are quoted by the Post Office Department in either Volume No. 7 or Volume No. 11 of the hearings.

The opinion of Professor Adams that is quoted by the Post Office Department, is in his discussion of the principle of public utility which he introduced in his report to the Wolcott-Loud Commission, not because it was appropriate to his position as Statistician of the Interstate Commerce Commission, but rather as a development of his studies as Professor of Political Economy in the University of Ann Arbor, Michigan.

* * * *

It may be said on behalf of Statistician Adams that whatever views he held as Professor of Political Economy and felt tempted to express in his official report did not in any way influence the definite recommendations which he made to the Wolcott-Loud Commission in regard to the amount of railway mail pay. His conclusion was that the railroads at that time were not grossly overpaid, although they were receiving about 35 per cent. of the postal revenues. His study of the subject led him to believe that the railroads

carrying an average daily weight of over 30,000 pounds were somewhat overpaid. He proposed a level reduction of 5 per cent. for all railroads, with an additional reduction of from 1 to 12 per cent. on all roads receiving in excess of 20 cents per ton per mile. He also recommended further investigation, because he believed that if the average load in mail cars could not be materially increased his recommendations for a reduction in pay would have to be withdrawn. When his report was under review by the Wolcott-Loud Commission and he was under cross-examination, he admitted that his recommendations for reduction and at the same time for further investigation were inconsistent with each other; he also admitted that his recommendation for a reduction of 5 per cent. for all roads was inconsistent with his conclusion that the roads carrying less than 30,000 pounds a day were not overpaid.

He finally revised his statement and declared that his conclusions as to reductions in pay were all based on the idea that the Joint Committee desired to eliminate the postal deficit, and he thought the greatest contribution which the railroads could be justly expected to make toward reducing the postal deficit would be approximately \$3,000,000 out of a total railway mail pay at that time of \$34,000,000.

* * * *

Railroads Not Overpaid

The conclusion of the Joint Committee was that Professor Adams had not sustained his recommendation for the reduction in pay which he proposed, and they, therefore, reported to Congress that the railroads were not overpaid. It will thus be seen that the action of Congress, as well as the recommendations of Professor Adams, were in accordance with the recognized customary constitutional relations existing between the Government and those citizens from which it purchased service.

Professor Adams' theory regarding the principle of public utility was considered to have a strong tendency toward general socialism. In this connection it is interesting to quote from his cross-examination at the hearing of April 7, 1900, page 436:

"Mr. Loud.—Does it not lead right up to the German system as operated to-day—the Government ownership of railroads, supported by taxation, and levying such tariffs upon articles as they see fit, and then recouping from another?"

"Mr. Adams.—Yes; it leads to the determination of the entire schedule of railroad rates upon the principle of public utility."

It is suggested that the so-called principle of public utility, the full consideration of which would bring into contemplation the total social structure and governmental relations of the whole American people, has no proper place in the discussion of a question of simple business administration, *i. e.*, reasonable compensation for the performance of a service that is almost entirely commercial.

In closing this question of public utility, it is only fair to Professor Adams to restate the most significant paragraph of the quotation which the Department employs in Volume No. 7, page 1002, but omits to quote verbatim in its statement contained in Volume No. 11. This reads as follows:

"The position of this report is that the private interest in railway charges is limited to the claim that the gross revenue of railways should be adequate to cover operating expenses, fixed charges and a fair return to stockholders; but this sum having been guaranteed, the manner in which the gross amount is collected from the shippers is a matter of public policy and not of private interest."

It will be observed that Professor Adams insists upon an allowance not only to cover operating expenses, but also to cover fixed charges and a fair return to stockholders, these last two important

specifications representing factors that were entirely omitted in House Document No. 105. Your Committee will also not fail to see the significance of the clause which reads "but this sum having been guaranteed." The Post Office Department in its statements discussing the principle of public utility in either Volume No. 7 or Volume No. 11 does not indicate whether in their opinion the general Government should guarantee the interest on all the railroads' securities in advance of asking Congress to approve the principle of public utility which would be applicable to freight and passenger service, as well as to the mail service.

* * * *

While we have thus responded to the urgent insistence of the Post Office Department for further discussion of these general considerations, it seems proper to state that none of this general discussion would have been necessary if the Post Office Department had not overlooked in Document No. 105 the necessity of providing for the capital cost—that is, a return upon the railroad property utilized in the performance of the mail service.

In Document No. 105 there are three letters of transmittal; one signed by the former Postmaster General, Mr. Frank H. Hitchcock, the second signed by the Second Assistant Postmaster General, Mr. Joseph Stewart, and the third signed by the Committee of Post Office Department Officials who were charged with the duty of considering the results of the information secured from the railroad companies and to report thereupon to the Postmaster General. One can search in all these letters in vain for any statement that shows a consciousness of the necessity of providing for this fundamental item of cost.

When this omission was fully developed before your Joint Committee, the Post Office Department admitted their error by

conceding in letter of January 9, 1913, to the Chairman of the Joint Committee that

"In addition to the operating expenses and taxes apportionable to the mail service and 6 per cent. thereto, companies may be allowed such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service."

The phrasing of this concession represents the beginning of the development of the line of thought which has culminated in these later discussions regarding the alleged certainty, constancy and homogeneity of the traffic and the other features that lead up to the so-called "principle of public utility."

None of these considerations were apparently in the minds of the Post Office Department officials when Document No. 105 was submitted, and there was apparently no thought of treating this question except on the basis of reasonable compensation and in accordance with the commercial principle. If there had been, surely there would have been some allusion to it in these several letters of transmittal.

* * * *

Comparison Between Revenue Received by Railroad Companies for Express and for Mail Service

Preliminary to any remarks from the railroads' side regarding the statements made by the Post Office Department (pages 1271-1278) relative to the comparative compensation received by the railroad companies from the express traffic and the mail traffic, it should be noted by your Committee that this subject is now introduced for the first time by the Post Office Department officials, although Document No. 105 was published over two years ago and your Committee has been collecting evidence and hearing testimony for

the past eighteen months and has now arrived at the last days of the investigation.

In Document No. 105 none of the letters of transmittal say one word on this subject. The tables published in Document No. 105 fail to state the amount of revenue received by the railroad companies from the express business or the passenger business, although this information was given to the Department by the railroads for the month of November, 1909, and the railroads have complained of the failure of the Department to publish the amounts for the information of Congress.

The statement of the Post Office Department made under date of January 16, 1914, contained in Volume No. 7 of the hearings, was apparently intended as a complete recital of the Department case and was written after six months' delay for the purpose of reviewing the data and the hearings, and yet we cannot find one word in it relating to any comparison with express traffic or the revenue received by the railroad companies from express and from mail.

Now, at this late date, March 24, 1914, the Post Office Department lays before your Committee a lot of undigested material and concludes by saying, on page 1278:

"It must be remembered, as hereinbefore stated, that this is placing the mail service on the basis of the express service and not accounting for the value of such differences between them as may exist. Furthermore, it is placing the entire subject matter of the mail service upon the same basis as the subject matter of the express service."

We believe that it is evident to your Committee, before we make any explanation on the subject, that it would be impracticable to make any satisfactory comparison without several months for additional investigation.

Express and Mail Services on Different Basis

The two services are on an entirely different basis. In the case of the express traffic, the railroads receive a percentage of the gross receipts, varying from perhaps 40 per cent. to 55 or 58 per cent. The Interstate Commerce Commission in its report for 1909 stated that the average percentage was 47.53 per cent. The mail service is paid for mainly on the basis of weight multiplied by distance, or ton mileage. The total ton mileage of the express traffic is not known, but whether the comparison is made between the express and mail on the basis of relative returns from ton mileage or relative returns from car space, there would have to be a precise appraisal of the differences in the relations, because the express companies in connection with their railroad transportation perform many services for themselves which the Post Office Department requires from the railroad companies. Also the express companies make many payments for rent of station facilities and as sharing in the wages of railroad employes for which there is no similar contribution from the mail service. In addition to this, the express companies perform many services for the railroad companies, as in the transportation of railroad companies' express packages, the collection and forwarding of money, the distribution and transportation of railroad tickets, etc., for which there are no precise ascertainment or even estimates as relating to the entire railroad mileage upon which the mails are also carried. To obtain this information it would be necessary to start a new inquiry and to obtain in detail from each company the terms of its contractual relations with the express company operating over its lines and a definite appraisal of these various services.

Information Regarding Express Traffic Already in the Record

In the hearings held before your Committee during the past year there are a number of contributions from the Committee on Railway Mail Pay which enable you to obtain a general idea regarding the relative pay to the railroads from express and mail traffic. In Volume No. 1 (pages 51, 52), the Committee on Railway Mail Pay showed that according to their ascertainment for the month of November, 1909, covering 178,709 miles of railroad the relative earnings on the car-foot mile basis were from mail 3.228 mills, and from express 3.855 mills. For a 60-foot car this would show an earning from mail of 19.36 cents and from express 23.13 cents. The railroads, therefore, earned from the express traffic on the space basis 19 per cent. more than from the mail, notwithstanding the fact that the mail service is known to be much more expensive for the railroads to operate.

In Volume No. 1 (page 122) a statement was submitted showing that on inadequate data it appeared as though the earnings of the railroads per ton mile of express as compared with the ton mile earnings from mail were not far apart, being somewhere between 7 and 8 cents for either. This conclusion must also be received with the same reservation that the express tonnage can be loaded more compactly and economically than the mail tonnage, and that the service is less expensive to the company than the performance of the mail service.

In Volume No. 2 (page 325) Doctor Lorenz computes the respective car mile earnings to railroad companies from mail and express. It appears in his calculation that the railroad earnings per car mile is 13 per cent. higher from the express if the gross mail space reported in Document No. 105 for mail is credited to the companies. It also shows that if the

gross space as published by the Post Office Department is not credited, but only the net space taken, the earning from a 60-foot mail car would be 9 per cent. greater than the earning from an express car of similar length. In this case the railroads would point out that even the gross amount of space published in Document No. 105 as reported against the mail service does not represent the correct total as reported by the companies. Also, that in this illustration, as in the others, it would be necessary to make allowances for the greater economy to the railroads of performing the express business both in operations and in incidental services rendered by the express companies themselves.

* * * *

In Volume No. 2 (page 335) Mr. Worthington on behalf of the Southern Pacific road showed that on the very low contract basis of 40 per cent. of express earnings the mail traffic showed only 41½ per cent. greater earnings than the express traffic, whereas on the Union Pacific, where the usual contract was in operation, the express space showed 11 per cent. greater earnings than the mail space.

In Volume No. 2 (page 419) Mr. Bradley, reporting for the Pennsylvania Railroad System, showed that on the Company's compilation of space the earnings from express traffic were 22 per cent. greater than from the mail traffic. He also showed that the Post Office Department credited a mail earning to the Pennsylvania Railroad System of 3.873 mills, while the earning from express on the Company's showing was 3.898 mills, so that even here there was a small advantage from the express traffic independent of the modifications that would be subsequently necessary on account of the more economical performance of service and an appraisal of the express company's contribution toward the work and expenses.

Railroads' Relations to Express Companies and Post Office Department

In Volume No. 2 (pages 437-438) there is stated in parallel columns a number of differences in the relations which the railroad companies bear to the express companies and to the Post Office Department showing that these relations are much more favorable both financially and in operating performance with the express traffic than they are with the mail traffic.

In Volume No. 2 (page 526) Mr. Peabody, on behalf of the Atchison, Topeka and Santa Fé Railway, shows that on the space basis the mail earnings are about 4 per cent. higher than from the express traffic, but explains that this is due to a contract which will not be renewed. It will be noted in this case that the railroad company will be able in due time to revise this contract, which would not be the case in relation to mail service where the rates and conditions of service are fixed by statute or by Post Office Department regulations having the same force. It is also to be noted that Mr. Peabody's finding would require further modification if the comparative relations as to economy of operation in connection with the express traffic as compared with the mail traffic were fully set forth.

In Volume No. 2 (pages 747-758) there is published a statement on behalf of twenty-one Short Line Railroads which shows respective earnings from express and mail traffic. The summary indicates that the receipts from express traffic are about 30 per cent. greater than from mail traffic, but as the units of service, such as ton miles or relative amount of car space are not stated, one can only get a general impression. It will thus be seen that the subject has not been overlooked in the testimony offered by the representatives of the railroads, and that a review of the testimony indicates quite plainly that the express traffic is somewhat more remunerative to the railroads as a whole than the mail traffic.

Comparative Gross Receipts by Railroads from Mail Traffic and Express Traffic

At the hearing of March 24, 1914, Mr. Worthington, on behalf of the Committee on Railway Mail Pay, submitted a memorandum of the annual receipts of the railroad companies from mail traffic and express traffic for the years 1909 to 1913, inclusive. For the first and last of these years the figures are as follows:

| Year ending June 30th: | Mail Traffic. | Express Traffic. |
|-----------------------------------|-----------------|------------------|
| 1909 | \$49,869,375.00 | \$64,032,127.00 |
| 1913 | 51,959,388.00 | 83,872,497.00 |
| Increase — 1913 over 1909 | 2,090,013.00 | 19,840,370.00 |
| Increase in per cent. | 4% | 31% |

* * * *

Comparison of Express and Mail Rates Between Specific Points

The Post Office Department submits a list of comparative express and mail rates per 100 pounds between specific points. The table submitted contains 114 illustrations, and the whole number of illustrations are without value to your Committee because they are all based upon the minimum express rate, i. e., the rate per 100 pounds.

Suppose that the railroad companies had been submitting a similar illustration and based it upon the maximum express rate, namely, the rate for one pound. What would be thought of the fairness of the presentation?

To illustrate this point, we have prepared a statement based on the first fifteen examples quoted by the Department in its 100-pound table on page 1272, and show on successive lines the rate which the Department has worked out for each package of 100 pounds in weight in comparison with what the rate would be if it were based upon 100 one-pound packages. The ton mileage in both cases would be the same:

Comparison of Express and Mail Rates Per 100 Pounds

1st—at the Rate for 100 pounds (in one package) used by the Post Office Department
 2d—at the Rate for 100 pounds (in 100 one-pound packages) used by the Railroad Company

| | Length of Mail Routes | 1st Class Express Rate for 1 100-pound Package | 1st Class Express Rate for 100 1-pound Packages | Mail Rate | 50 Per Cent. of Express Rate | Excess of Mail Rate Over 50 Per Cent. of Express Rate | Excess of 50 Per Cent. of Express Rate Over Mail Rate | Per Cent. of Excess of Mail Rate Over 50 Per Cent. of Express Rate | Per Cent. of Excess of 50 Per Cent. of Express Rate Over Mail Rate |
|--------------------------------------------------------|-----------------------------|---------------------------------------------------------------|----------------------------------------------------------------|--------------|---------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| P. O. Dept. — Akron, Ohio, to Pittsburgh, Pa. | 132.05 | \$1.00 | \$21.00 | \$0.75 | \$ 0.50 | \$0.25 | \$ 9.75 | 50% | 1300% |
| R. R. Co. — Akron, Ohio, to Pittsburgh, Pa. | 132.05 | | | 0.75 | 10.50 | 0.18 | | | |
| P. O. Dept. — Altoona, Pa., to New York, N. Y. | 326.86 | 1.40 | | 0.88 | 0.70 | | | 26% | 1150% |
| R. R. Co. — Altoona, Pa., to New York, N. Y. | 326.86 | | 22.00 | 0.88 | 11.00 | | 10.12 | | |
| P. O. Dept. — Anniston, Ala., to Washington, D. C. | 748.20 | 2.90 | | 2.53 | 1.45 | 1.08 | | 74% | |
| R. R. Co. — Anniston, Ala., to Washington, D. C. | 748.20 | | 23.00 | 2.53 | 11.50 | | 8.97 | | 355% |
| P. O. Dept. — Asheville, N. C., to Washington, D. C. | 476.17 | 2.20 | | 1.97 | 1.10 | 0.87 | | 79% | |
| R. R. Co. — Asheville, N. C., to Washington, D. C. | 476.17 | | 22.00 | 1.97 | 11.00 | | 9.03 | | 458% |
| P. O. Dept. — Ashland, Ky., to Cincinnati, Ohio | 145.71 | 1.15 | | 0.56 | 0.58 | | 0.02 | | 4% |
| R. R. Co. — Ashland, Ky., to Cincinnati, Ohio | 145.71 | | 21.00 | 0.56 | 10.50 | 0.57 | 9.94 | 71% | 1775% |
| P. O. Dept. — Buffalo, N. Y., to Boston, Mass. | 496.90 | 1.60 | | 1.37 | 0.80 | | | | |
| R. R. Co. — Buffalo, N. Y., to Boston, Mass. | 496.90 | | 22.00 | 1.37 | 11.00 | | 9.63 | 61% | 703% |
| P. O. Dept. — Burlington, Vt., to Boston, Mass. | 247.34 | 1.15 | | 1.52 | 0.58 | 0.94 | | | |
| R. R. Co. — Burlington, Vt., to Boston, Mass. | 247.34 | | 21.00 | 1.52 | 10.50 | | 8.98 | | 591% |
| P. O. Dept. — Burlington, Iowa, to Chicago, Ill. | 205.57 | 1.25 | | 0.58 | 0.63 | | 0.05 | | 9% |
| R. R. Co. — Burlington, Iowa, to Chicago, Ill. | 205.57 | | 22.00 | 0.58 | 11.00 | | 10.42 | 13% | 1797% |
| P. O. Dept. — Cedar Rapids, Iowa, to Chicago, Ill. | 218.30 | 1.25 | | 0.71 | 0.63 | 0.08 | | | |
| R. R. Co. — Cedar Rapids, Iowa, to Chicago, Ill. | 218.30 | | 22.00 | 0.71 | 11.00 | | 10.29 | | 1449% |
| P. O. Dept. — Charleston, W. Va., to Washington, D. C. | 387.71 | 1.75 | | 1.44 | 0.88 | 0.56 | | 64% | 664% |
| R. R. Co. — Charleston, W. Va., to Washington, D. C. | 387.71 | | 22.00 | 1.44 | 11.00 | 0.47 | 9.56 | 51% | |
| P. O. Dept. — Chattanooga, Tenn., to Cincinnati, Ohio | 338.15 | 1.85 | | 1.40 | 0.93 | | | 125% | 686% |
| R. R. Co. — Chattanooga, Tenn., to Cincinnati, Ohio | 338.15 | | 22.00 | 1.40 | 11.00 | 1.56 | 9.60 | | 309% |
| P. O. Dept. — Chicago, Ill., to Boston, Mass. | 1019.18 | 2.50 | | 2.81 | 1.25 | | | 45% | |
| R. R. Co. — Chicago, Ill., to Boston, Mass. | 1019.18 | | 23.00 | 2.81 | 11.50 | 0.47 | 8.69 | | 623% |
| P. O. Dept. — Chicago, Ill., to Kansas City, Mo. | 454.00 | 2.10 | | 1.52 | 1.05 | | 9.48 | | 55% |
| R. R. Co. — Chicago, Ill., to Kansas City, Mo. | 454.00 | | 22.00 | 1.52 | 11.00 | | 0.16 | | 3520% |
| P. O. Dept. — Chicago, Ill., to Milwaukee, Wis. | 85.00 | 0.90 | | 0.29 | 0.45 | | 10.21 | 19% | |
| R. R. Co. — Chicago, Ill., to Milwaukee, Wis. | 85.00 | | 21.00 | 0.29 | 10.50 | | | | |
| P. O. Dept. — Chicago, Ill., to Minneapolis, Minn. | 423.79 | 2.00 | | 1.19 | 1.00 | 0.19 | | | |
| R. R. Co. — Chicago, Ill., to Minneapolis, Minn. | 423.79 | | 22.00 | 1.19 | 11.00 | | 9.81 | | 824% |

It will be seen by comparing the last two columns that the Department finds that the railroad company received from the mail traffic a greater revenue than from express traffic, ranging from 13 per cent. to 125 per cent., whereas the last column, based upon 100 one-pound packages, shows that the railroad received from the express traffic a higher revenue than from mail, ranging from 309 per cent. to 3,520 per cent.

Taking one specific instance, Chicago to Milwaukee, the Department admits a higher earning to the railroad company from the express of 55 per cent. at the 100-

pound rate, while our statement shows a greater earning of 3,520 per cent., or sixty times as great, based on the one-pound rate.

A similar illustration will be made of the first fifteen examples shown on page 1274 in the table headed "Comparison of express and mail rates per 40 pounds." The Department shows an excess of earnings to the railroad company from the mail varying from 4 per cent. to 110 per cent., while we show, on the basis of 40 one-pound packages, that there is a greater earning from express traffic, ranging from 311 per cent. to 3,400 per cent.:

Comparison of Express and Mail Rates Per 40 Pounds

1st—at the Rate for 40 pounds (in one package) used by the Post Office Department
 2d—at the Rate for 40 pounds (in 40 one-pound packages) used by the Railroad Company

| | Length of Mail Routes | 1st Class Express Rate for 1 40-pound Package | 1st Class Express Rate for 40 1-pound Packages | Mail Rate | 50 Per Cent. of Express Rate | Excess of Mail Rate Over 50 Per Cent. of Express Rate | Excess of 50 Per Cent. of Express Rate Over Mail Rate | Per Cent. of Excess of Mail Rate Over 50 Per Cent. of Express Rate | Per Cent. of Excess of 50 Per Cent. of Express Rate Over Mail Rate |
|---------------------------------------------------------------|-----------------------------|--------------------------------------------------------------|---------------------------------------------------------------|--------------|---------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| P. O. Dept. — Akron, Ohio, to Pittsburgh, Pa. . . . | 132.05 | \$0.52 | \$8.40 | \$0.30 | \$0.26 | \$0.04 | \$3.90 | 15% | 1300% |
| R. R. Co. — Akron, Ohio, to Pittsburgh, Pa. . . . | 132.05 | | | 0.30 | 4.20 | | | | |
| P. O. Dept. — Altoona, Pa., to New York, N. Y. . . . | 326.86 | 0.68 | | 0.34 | 0.34 | | 4.06 | | 1194% |
| R. R. Co. — Altoona, Pa., to New York, N. Y. . . . | 326.86 | | 8.80 | 0.34 | 4.40 | | | | |
| P. O. Dept. — Anniston, Ala., to Washington, D. C. . . . | 748.20 | 1.28 | | 1.01 | 0.64 | 0.37 | | 57% | |
| R. R. Co. — Anniston, Ala., to Washington, D. C. . . . | 748.20 | | 9.20 | 1.01 | 4.60 | | 3.59 | | 355% |
| P. O. Dept. — Asheville, N. C., to Washington, D. C. . . . | 476.17 | 1.00 | | 0.79 | 0.50 | 0.29 | | 58% | 457% |
| R. R. Co. — Asheville, N. C., to Washington, D. C. . . . | 476.17 | | 8.80 | 0.79 | 4.40 | | 3.61 | | 31% |
| P. O. Dept. — Ashland, Ky., to Cincinnati, Ohio | 145.71 | 0.58 | | 0.22 | 0.29 | | 0.07 | | 1809% |
| R. R. Co. — Ashland, Ky., to Cincinnati, Ohio | 145.71 | | 8.40 | 0.22 | 4.20 | | 3.98 | | |
| P. O. Dept. — Buffalo, N. Y., to Boston, Mass. . . . | 496.90 | 0.76 | | 0.55 | 0.38 | | | 45% | 700% |
| R. R. Co. — Buffalo, N. Y., to Boston, Mass. . . . | 496.90 | | 8.80 | 0.55 | 4.40 | | | | |
| P. O. Dept. — Burlington, Vt., to Boston, Mass. . . . | 247.30 | 0.58 | | 0.61 | 0.29 | 0.32 | | 110% | |
| R. R. Co. — Burlington, Vt., to Boston, Mass. . . . | 247.30 | | 8.40 | 0.61 | 4.20 | | 3.59 | | 589% |
| P. O. Dept. — Burlington, Iowa, to Chicago, Ill. . . . | 205.57 | 0.62 | | 0.23 | 0.31 | | 0.08 | | 35% |
| R. R. Co. — Burlington, Iowa, to Chicago, Ill. . . . | 205.57 | | 8.80 | 0.23 | 4.40 | | 4.17 | | 1813% |
| P. O. Dept. — Cedar Rapids, Iowa, to Chicago, Ill. . . . | 218.30 | 0.62 | | 0.28 | 0.31 | | 0.03 | | 11% |
| R. R. Co. — Cedar Rapids, Iowa, to Chicago, Ill. . . . | 218.30 | | 8.80 | 0.28 | 4.40 | | 4.12 | | 1471% |
| P. O. Dept. — Charleston, W. Va., to Washington, D. C. . . . | 387.71 | 0.82 | | 0.58 | 0.41 | 0.17 | | 41% | |
| R. R. Co. — Charleston, W. Va., to Washington, D. C. . . . | 387.71 | | 8.80 | 0.58 | 4.40 | | 3.82 | | 659% |
| P. O. Dept. — Chattanooga, Tenn., to Cincinnati, Ohio | 338.15 | 0.86 | | 0.56 | 0.43 | 0.13 | | 30% | 686% |
| R. R. Co. — Chattanooga, Tenn., to Cincinnati, Ohio | 338.15 | | 8.80 | 0.56 | 4.40 | | 3.84 | | |
| P. O. Dept. — Chicago, Ill., to Boston, Mass. . . . | 1019.18 | 1.12 | | 1.12 | 0.56 | 0.56 | | 100% | 311% |
| R. R. Co. — Chicago, Ill., to Boston, Mass. . . . | 1019.18 | | 9.20 | 1.12 | 4.60 | | 3.48 | | 621% |
| P. O. Dept. — Chicago, Ill., to Kansas City, Mo. . . . | 454.00 | 0.96 | | 0.61 | 0.48 | 0.13 | | 27% | 100% |
| R. R. Co. — Chicago, Ill., to Kansas City, Mo. . . . | 454.00 | | 8.80 | 0.61 | 4.40 | | 3.79 | | 3400% |
| P. O. Dept. — Chicago, Ill., to Milwaukee, Wis. . . . | 85.00 | 0.48 | | 0.12 | 0.24 | | 0.12 | | |
| R. R. Co. — Chicago, Ill., to Milwaukee, Wis. . . . | 85.00 | | 8.40 | 0.12 | 4.20 | | 4.08 | | |
| P. O. Dept. — Chicago, Ill., to Minneapolis, Minn. . . . | 423.79 | 0.92 | | 0.48 | 0.46 | 0.02 | | 4% | |
| R. R. Co. — Chicago, Ill., to Minneapolis, Minn. . . . | 423.79 | | 8.80 | 0.48 | 4.40 | | 3.92 | | 816% |

Now, neither of these calculations would give a fair idea to your Committee of this subject, because the truth is somewhere between the two extremes, but we do not feel required to submit an apology for stating the maximum earnings when it seems to be necessary to illustrate the unfairness of the Post Office Department in making their comparison on the minimum earnings.

* * * *

The Importance of the Average Haul in Comparing Express and Mail Rates

The Interstate Commerce Commission has attributed to the average express package a haul of about 200 miles. The Post Office Department has asserted that the average haul of mail, including equipment, is about 620 miles. If these estimates are accepted it must be assumed that the radial activity of the mail traffic is three times as great as the express traffic.

It would also have to be borne in mind that the express rates prescribed by the Interstate Commerce Commission start with 21 cents for the first pound and then go through a process of declension according to increasing weight and increasing distance. It is easily demonstrable that the return received by the railroad company from an express package weighing one pound is at a higher ton rate than the revenue received from the mail even for a transcontinental haul.

It is also easily demonstrable that the railroad company receives for an express package of 100 pounds a higher rate than from the mail on a haul of over 100 miles, but we are not able to say at what weight and at what distance the neutral point would occur as between the express traffic and the mail traffic. This would require a long and intricate investigation, and even after it was made it would still be necessary to make allowances between the two services by appraising the differences

in the contractual relations and operating conditions already alluded to.

However, it should not escape notice that in the list of specific shipments quoted by the Post Office Department on pages 1272-1276 only two are under 100 miles, while 112 are over 100 miles; also that 93 of the instances are over 200 miles as compared with 21 instances under 200 miles.

We may conclude the statement by remarking that if the railroads received 50 per cent. of the gross postal revenues as they do of the express revenues, the amount of railway mail pay for the year 1913 would have been \$133,000,000 instead of \$51,466,000. Instead of getting 50 per cent. of the postal revenues the railroads receive only about 19 per cent.

* * * *

The Proposed Space Basis for Railway Mail Pay

In connection with the very ample testimony already submitted by the railroads relating the unavoidable complexities and causes of irritation that would be inherent in the Department's proposal that the pay be adjusted on the basis of car space authorized, we deem it important to call your attention to two or three facts:

First. Those who have previously investigated the subject and concluded that space rather than weight would be a fairer basis were either unaware or unfamiliar with the administrative difficulties that would be encountered in connection with any space basis of pay.

Second. The Elmer, Thompson and Slater Committee, composed of high officers of the Post Office Department, recommended the space basis, but were careful to insist that for the protection of the Government it must be coupled with a prescribed average weight to justify a certain amount of space.

Third. None of the previous investigators who reached a conclusion in favor of the space basis could have had in contemplation the present condition of the

parcel post service that already deals with packages weighing as much as 50 pounds, with intimations of still further increase in the weight limit, thus placing the Post Office Department in competition with the railroad companies and the express companies in the transportation business.

Any law fixing rates and terms on a space basis would leave the measure of pay for transportation to be interpreted by the Post Office Department according to the discretion it must necessarily have as to the amount of space it would authorize, and this power coupled with the power already held to increase the weight limit indefinitely and to lower the rates indefinitely would make it impossible for the railroads to secure a compensatory basis of pay except at the pleasure of the Department.

* * * *

Continuance of Fast Mail Trains Endangered

It is proper to call the attention of the Joint Committee to the injustice of a space basis to the heavy traffic routes on which mail is largely handled in expedited fast mail trains. These trains are costly to operate, conduct a heavier load of mail in generally heavier cars, at faster speed than the average transportation, and the proposed space pay would be so inadequate as to make the operation of these trains very unattractive. There are forty mail routes in the United States handling 56 per cent. of the ton mileage of mail, for which service these routes would receive on a space basis only about 34 per cent. of the compensation, receiving no more per car mile than lighter traffic routes, although the average load per car on the 40 heavy traffic routes is two and a half times as great as on other routes.

A space basis is not only unjust to the larger roads, but is unfair to the railways as a whole in denying to them the privilege of some return from operating economies due to larger car loading, all of which would inure to the Government. Under the present law, the benefits of heavier car loading would be shared by both—the railroads receiving more pay for the increased tonnage, but performing the service at a decreased ton-mile rate. Under a space basis for payment, the railroads would be limited to a fixed revenue per car mile, regardless of tonnage and the extent to which the Post Office Department might enlarge the weight limit of the parcel post and load cars with 15 to 20 tons each without additional compensation to the railroads. A future situation might even be imagined under which carload traffic might be handled in this way on passenger trains at rates per ton mile no higher than ordinary freight rates.

The cost of operating a train mile in the last 20 years has increased 50 per cent. To meet these advancing costs of labor and material the railways are justly entitled to a fair share of the greater revenues per car mile unit that may result through better loading. The space basis not only denies this, but actually imposes some added cost due to the greater tonnage carried. Had a space plan applied, for example, to freight transportation, it is safe to say that the advancing operating costs would have long ago forced most of the roads into financial ruin through prohibiting the greater earnings they have received per train mile unit through heavier loading.

Conclusion

In conclusion, we believe that your Committee in deciding this question, which is really one between the citizens who ship traffic through the medium of the Post Office Department and the citizens who carry the traffic through the medium of the railroads, will not be concerned as to the personal feelings of those who have conducted this debate on the one side or the other, but will render its judgment in accordance with the best interests and the abiding interests of the American people.

COMMITTEE ON RAILWAY MAIL PAY

*Representing 264 railroads carrying mails
on over 218,000 miles of line.*

RALPH PETERS,
Chairman.

April 30, 1914

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